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Highlights

	1976	1975
Sales and other income	\$84,464	\$64,021
Net earnings	\$12,392	\$10,281
Earnings per share	\$ 6.43	\$ 5.33
Cash flow per share	\$ 8.59	\$ 7.54
Dividends declared per share	\$ 2.376	\$ 2.20
Working capital	\$58,668	\$52,110
Expenditures on fixed assets	\$ 3,328	\$ 3,161
Payroll and benefits	\$25,776	\$20,897

(dollars in thousands - except per share figures)

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Corporate Information

Directors

Carlton C. Cressy,
Vice President,
Maclarens Newsprint Sales Limited

J. Stuart Hermon,
President and Chief Executive
Officer,
Maclarens Power & Paper Company

Charles W. Kenny,
Vice President,
Maclarens Power & Paper Company

R. Timothy Kenny,
Vice President,
Thurso Pulp and Paper Company

A. Barnet Maclarens,
Company Director

A. Roy MacLaren,
Company Director

Donald Maclarens,
Vice President,
Maclarens Power & Paper Company

Gordon F. Maclarens,
Senior Partner,
Maclarens, Corlett & Tanner

J. Fergus Maclarens,
Vice President - Woodlands,
The James Maclarens Company,
Limited

James W. Thomson,
Company Director

Officers

J. Stuart Hermon
President and Chief Executive Officer

Donald Maclarens
Vice President

Charles W. Kenny
Vice President

Douglas A. Thomson
Secretary

Michael Skabar
Treasurer

Head Office

30 Queen Street,
Buckingham, Quebec
J8L 2X3
(819) 986-3345

Transfer Agents

Bankers Trust Company,
New York

Canada Permanent Trust Company,
Toronto

Maclarens Power & Paper Company,
Buckingham

Registrar

Maclarens Power & Paper Company,
Buckingham

Auditors

Coopers & Lybrand,
Montreal

Directors' Report to the Shareholders

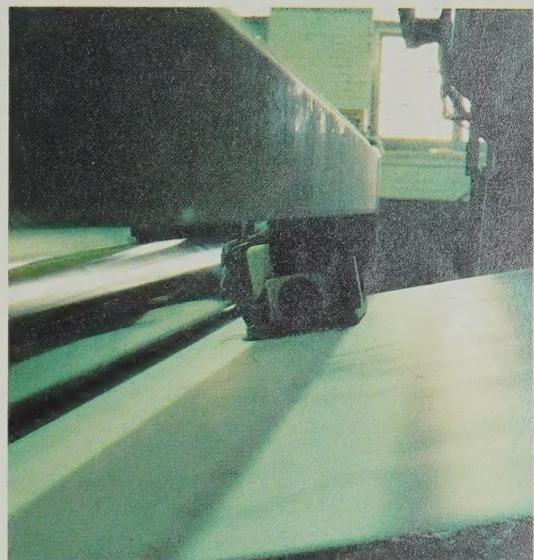
In the year ended December 31, 1976, consolidated sales amounted to \$82.5 million compared with \$62.4 million last year, an increase of 32.2%. Earnings increased 20.6% to \$12.4 million or \$6.43 per share compared with \$10.3 million or \$5.33 per share last year. These results, which were the second highest in the Company's history, were achieved against a background of unsettled economic conditions in Canada and other countries of the world. Inflation continues to be a major concern and the decline in the real value of the dollar should be taken into account in evaluating these earnings.

Newsprint sales in 1976 were 144,000 tons as compared with 113,000 tons in 1975. This increased volume is attributable to the settlement in late January 1976 of a strike which closed the newsprint mill for the last two and one-half months of 1975. Despite a strong Canadian dollar against the U.S. dollar and major cost escalations of transportation, labour, wood and manufacturing materials, this increased level of production and sales, coupled with an increase in selling prices, enabled this division to show moderate earnings gains in 1976.

Earnings gains were also achieved in the Thurok kraft pulp division in 1976. While 1975 was characterized by extensive curtailments necessitated by severely depressed world market conditions, the mill operated at a high level of capacity in 1976—with curtailment only in the later stages of the year. Sales increased by 39,000 tons to 117,000 tons in 1976 but here again operating margins were impaired by severe cost pressures as well as declining selling prices and a strong Canadian dollar. A three year labour agreement to expire in February 1979 was negotiated in early 1976 within the AIB guidelines and without work stoppages.

It is difficult to make predictions, however we are not overly optimistic about the short-term supply demand relationship and profitability for these two major products in 1977. Operating rates should moderately improve toward the end of 1977 in the newsprint industry but currently the market is in a delicate balance and recently instituted selling price increases will do little more than cover known and anticipated cost increases. Selling prices for kraft pulp are depressed and there is little likelihood of price improvement as world inventories are substantially in excess of normal requirements and therefore, there is not likely to be any significant turnaround in 1977.

The sawmill division experienced a most difficult year in 1976—incurring a sizeable loss as the markets for hardwood lumber remained very depressed. Extensive mill curtailments were necessary in order to balance inventories with these market conditions. We are not encouraged with the short-term market outlook for this product. Steps were taken in 1976 to develop specialty softwood markets for a limited amount of the division's productive capacity and to date, these results have been encouraging.



Management is currently examining other sources of action to remedy the situation.

Profits from power generation were higher in 1976 as this division established an earnings record. Generation was up slightly from the previous year and selling prices were considerably improved. A three year labour agreement to expire in March 1979 was negotiated, within the parameters of the Anti-Inflation Program, with the employees of this division in 1976. Water conditions are currently much below normal as are the snow levels on the watershed, and thus it would be difficult to foresee earnings gains from this division in 1977.

Cash flow from operations amounted to \$16.6 million in 1976 compared with \$14.5 million in 1975. Working capital amounted to \$58.7 million or \$30.46 per share reflecting an increase of \$6.6 million from the previous year end. Long-term debt was reduced by \$1,850,000 in 1976 through the repayment of a portion of a term bank loan and the purchase of debentures in anticipation of their sinking fund requirements. After tax income from marketable and other investments, including profit on sale of



investments, approximated 1975 levels. In 1976 the Company declared "taxable" and "tax deferred" dividends aggregating \$2.376 and \$2.0196 per share respectively. Under the Anti-Inflation Program, dividends to the Company's shareholders during the year ending October 13, 1977 may not exceed these levels.

Capital expenditures during the year amounted to \$3,328,000. Major newsprint division projects were the installation of production facilities with resultant higher efficiency and



productivity of operations and cost reduction. Major projects at the kraft pulp division included wood handling, together with a new package boiler for steam generation. Capital expenditures currently forecast for 1977 are estimated to be in the order of \$5,000,000.

In the area of labour relations, your Company together with other companies in the Eastern Canada Newsprint Group and the Canadian Paperworkers' Union are currently engaged in joint studies in an attempt to find some new and perhaps unique ways of strengthening and improving the relationship between the union and the Company.

It is too early to evaluate the intentions and economic policies of the recently elected government, together with the uncertainties presented by their proposed separation from the rest of Canada. However, we have been operating within the Province for over one hundred years and we are optimistic that our policy of continued collaboration and cooperation with all levels of government will enable us to function effectively for many years to come for the benefit of our shareholders, employees and the community at large.

Your Company has been adhering to the regulations and conforming to the intent of the Anti-Inflation Program. While acknowledging that the Program has had a significant impact in combatting the inflationary psychology in Canada, we believe that a progressive dismantling of the program is an essential precondition to the vital restoration of consumer and business confidence in the Canadian economy.

We wish to express our sincere thanks to our employees, upon whom the success of the Company is so dependent.

On behalf of the Board of Directors,

J. S. Hermon,
President and
Chief Executive Officer.

February 24th, 1977.



Maclarens Power & Paper Company
Consolidated Balance Sheet
As at December 31 (thousands of dollars)

Assets

	1976	1975
	\$	\$
Current Assets		
Short-term deposits	8,253	4,607
Accounts receivable	11,592	7,493
Marketable investments - at cost and accrued interest (quoted value 1976 - \$18,340; 1975 - \$16,363)	21,050	19,586
Inventories - at the lower of cost and net realizable value (note 2)	26,403	27,208
Prepaid expense	<u>824</u>	<u>898</u>
	68,122	59,792
Other Investments - at cost (note 1 (c))	2,516	2,216
Fixed Assets (note 3)	40,251	40,699
Deferred Charges (note 1 (e))	1,975	2,121

Signed On Behalf Of The Board

J. S. Hermon, Director
D. Maclaren, Director

112,864

104,828

Liabilities

	1976 \$	1975 \$
Current Liabilities		
Bank advances	2,088	1,039
Accounts payable and accrued liabilities	4,101	4,075
Dividend payable	339	-
Income and other taxes	2,183	774
Accrued interest on long-term debt	391	425
Current portion of long-term debt	-	975
Deferred income taxes	352	394
	<hr/> 9,454	<hr/> 7,682
Long-Term Debt (note 4)	18,701	20,551
Deferred Income Taxes	4,685	4,340
	<hr/> 32,840	<hr/> 32,573

Shareholders' Equity

Capital Stock (note 5)	5,000	5,000
Contributed Surplus	3,575	3,575
Retained Earnings (note 6)	73,170	65,356
	<hr/> 81,745	<hr/> 73,931
Less: Shares held by a subsidiary company - at cost	1,721	1,676
	<hr/> 80,024	<hr/> 72,255
	<hr/> 112,864	<hr/> 104,828

Maclarens Power & Paper Company

Consolidated Statement of Earnings and Retained Earnings

For the year ended December 31 (thousands of dollars)

	1976	1975
	\$	\$
Sales	82,518	62,346
 Costs and Expenses		
Operating and delivery	59,010	42,512
Selling and administrative	3,156	2,636
Interest on long-term debt	1,324	1,369
	63,490	46,517
 Income From Operations	19,028	15,829
 Other Income		
Investment income	1,572	1,592
Profit (loss) on sale of marketable investments	120	(8)
Discount on debentures purchased for cancellation	254	91
	1,946	1,675
 Earnings Before Income Taxes	20,974	17,504
 Provision For Income Taxes		
Current	8,279	6,692
Deferred	303	531
	8,582	7,223
 Net Earnings For The Year	12,392	10,281
 Retained Earnings - Beginning of Year	65,356	59,315
	77,748	69,596
Dividends	4,578	4,240
 Retained Earnings - End of Year	73,170	65,356
 Earnings Per Share (dollars)	\$6.43	\$5.33

Maclarens Power & Paper Company

Consolidated Statement of Changes in Financial Position

For the year ended December 31 (thousands of dollars)

	1976 \$	1975 \$
Source of Working Capital		
Net earnings for the year	12,392	10,281
Items not affecting working capital -		
Depreciation and amortization	3,810	3,747
Deferred income taxes	345	396
Provision for decline in equity of other investments	7	116
Provided from operations	16,554	14,540
Proceeds of sale of fixed assets	111	101
	<hr/> 16,665	<hr/> 14,641
Use of Working Capital		
Purchase of other investments	307	806
Additions to fixed assets	3,328	3,161
Payments of 3½% promissory notes	-	940
5-¾% sinking fund debentures purchased for cancellation	850	258
Purchase of parent company shares by a subsidiary	44	-
Dividends	4,578	4,240
Payment on 8% bank loan	1,000	-
	<hr/> 10,107	<hr/> 9,405
Increase In Working Capital For The Year	6,558	5,236
Working Capital - Beginning of Year	<hr/> 52,110	<hr/> 46,874
Working Capital - End of Year	<hr/> 58,668	<hr/> 52,110
Changes In Elements Which Increased (Decreased) Working Capital		
Short-term deposits	3,646	(3,371)
Accounts receivable	4,099	(2,250)
Marketable investments	1,464	(2,154)
Inventories	(805)	6,726
Prepaid expense	(74)	323
Bank advances	(1,049)	844
Accounts payable and accrued liabilities	(26)	(1,285)
Dividend payable	(339)	-
Income and other taxes	(1,409)	6,667
Accrued interest on long-term debt	34	14
Current portion of long-term debt	975	(143)
Deferred income taxes	42	(135)
Increase In Working Capital For The Year	<hr/> 6,558	<hr/> 5,236

Notes to Consolidated Financial Statements

December 31, 1976

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies. The acquisition of all subsidiary companies is accounted for on a purchase basis and earnings are included in the consolidated financial statements from the date of acquisition of control.

The excess of the cost of the company's investments in subsidiaries over the net book value of the assets acquired is included in buildings, machinery and equipment. This excess is being depreciated over a ten year period which commenced in 1975 at the rate of \$38,000 annually.

A subsidiary owns shares in the company. The cost of these shares has been deducted from the consolidated shareholders' equity. Similarly the consolidated earnings per share has been calculated based on the weighted average of the number of shares outstanding after reduction for the inter-company holdings.

(b) Exchange translation

Transactions during the year in U.S. dollars have been converted in the accounts to Canadian dollars at the exchange rates effective on the date of the transactions. Accounts receivable and payable in U.S. dollars have been converted to Canadian dollars at exchange rates in effect December 31.

(c) Other investments

An investment in which the company owns 50% of the voting shares and exercises a significant influence over operating and financial policies is accounted for on the equity method. Investments in other companies are carried at cost and income is recognized when dividends are received.

(d) Fixed assets and depreciation

Fixed assets are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Depletion, not significant in amount, is calculated on the unit of production basis. Where appropriate, maximum capital cost allowance is claimed for income tax purposes and a related provision is made for deferred income taxes.

(e) Deferred charges

Storage reservoirs are being amortized over the terms of their leases and refinancing expenses are being amortized over the term of the related indebtedness.

	1976 (thousands of dollars)	1975 (thousands of dollars)
Storage reservoirs - at cost		
less amortization	1,907	2,044
Unamortized portion of refinanc- ing expense	68	77
	<u>1,975</u>	<u>2,121</u>

(f) Income taxes

The companies follow the tax allocation basis in accounting for income taxes. Deferred income taxes shown in the financial statements represent taxes

deferred mainly in respect of capital cost allowance claimed in excess of depreciation charged in the accounts.

2. Inventories

	1976 (thousands of dollars)	1975 (thousands of dollars)
Woods operations	11,742	13,078
Pulpwood and sawlogs at mills	8,380	6,073
Stores and supplies	3,368	3,014
Work in process and finished goods	2,913	5,043
	<u>26,403</u>	<u>27,208</u>

3. Fixed Assets

1976	Accumulated depreciation (thousands of dollars)	Net
\$	\$	\$
Land	1,539	1,539
Paper and pulp mills	59,507	42,306
Power developments	25,640	18,700
Other buildings, machinery and equipment	15,734	11,775
Timber limits	4,072	2,867
Water power rights as valued by appraisal in 1930	9,407	-
	<u>115,899</u>	<u>75,648</u>
		<u>40,251</u>

1975	Accumulated depreciation (thousands of dollars)	Net
\$	\$	\$
Land	1,478	1,478
Paper and pulp mills	56,851	40,178
Power developments	25,295	18,189
Other buildings, machinery and equipment	15,963	11,139
Timber limits	4,072	2,861
Water power rights as valued by appraisal in 1930	9,407	-
	<u>113,066</u>	<u>72,367</u>
		<u>40,699</u>

On December 30th, 1971 certain assets owned by Thurso Pulp and Paper Company, comprising 1,590 acres of land and several buildings, were expropriated by La Société d'Aménagement de l'Outaouais. The company has had its claim for compensation presented to the Expropriation Tribunal of the Province of Quebec and now is awaiting the Tribunal's decision as to the amount of compensation to which it is entitled. The effect of these proceedings has not been reflected in the financial statements.

4. Long-Term Debt

	1976 (thousands of dollars)	1975 \$
Thurso Pulp and Paper Company		
5-3/4% Sinking Fund Debentures due 1987	13,701	14,551
Commencing in 1977 the company is to provide a sinking fund sufficient to retire \$1,000,000 of the principal amount of the debentures annually. The company has purchased for cancellation \$3,299,000 of these debentures to December 31, 1976 which will satisfy the sinking fund requirements for the years 1977, 1978 and 1979.		
Maclarens-Quebec Power Company		
8% Bank loan due in 1978	5,000	6,000
Under the terms of the loan the company has pledged not to encumber its fixed assets		
	18,701	20,551

5. Capital Stock

Authorized -

4,500,000 1% non-cumulative preferred shares, redeemable at par value of \$1 each; 1,500,000 convertible Class "A" common shares of a par value of \$2.50 each; 1,500,000 convertible Class "B" common shares of a par value of \$2.50 each; 1,500,000 convertible Class "C" common shares of a par value \$2.50 each; 1,500,000 convertible Class "D" common shares of a par value of \$2.50 each.

The Class "A" and "C" shares are interconvertible and the Class "B" and "D" shares are interconvertible both on a one for one basis.

Issued and fully paid -

	Shares outstanding December 31, 1976	1975
Convertible common shares:		
Class "A"	900,862	916,752
Class "B"	789,367	794,586
Class "C"	99,138	83,248
Class "D"	210,633	205,414
	2,000,000	2,000,000
Less: Class "B" shares owned by a subsidiary	74,012	72,712
	1,925,988	1,927,288

6. Preferred Shares Redeemed

The balance of retained earnings contains \$1,000,000 (1975 - \$1,000,000) designated as surplus not available for distribution equal to the par value of 1,000,000 preferred shares redeemed.

7. Pension Plans

The estimated unfunded liability resulting from increased past service benefits in the pension plans amounting to \$1,263,000 as at December 31, 1976 (1975 - \$1,388,000) is being funded and charged to earnings in equal annual instalments over 17 years from 1974.

8. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers was \$534,000 (1975 - \$515,000).

9. Anti-Inflation Act

The companies are subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975. Based on available information management is satisfied that the companies are acting in accordance with the legislation. Under the anti-inflation program dividends to the company's shareholders during the year ending October 13, 1977 may not exceed \$2.376 per share.

Auditors' Report

To the Shareholders

We have examined the consolidated balance sheet of Maclarens Power & Paper Company and its subsidiary companies as at December 31, 1976 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Montreal, Quebec.
February 11, 1977

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1976 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

Subsidiary Companies and Division

The James Maclaren Company, Limited	Manufacturer of newsprint Annual rated capacity - 160,000 tons
Thurso Pulp and Paper Company	Manufacturer of bleached hardwood kraft pulp Annual rated capacity - 117,000 tons
Wood Products Division	Manufacturer of Doweloc
Maclaren-Quebec Power Company	Generation of hydro-electric power Installed capacity - 245,000 H.P.
Quebec Hardwoods Incorporated	Manufacturer and sales agent for lumber
Macdev Enterprises Limited	Real Estate Development
Maclaren Newsprint Sales Limited	Sales agent for newsprint
The Thurso Railway Company	Private railway
Canadian Hardwoods, Limited	Sales agent for Doweloc

Captions for Photographs

Cover -	Top -	The Lievre River as it flows through the Company's timber limits about eighty miles north of Buckingham.
	Middle -	Sheets of bleached hardwood kraft pulp are cut to the required size before packaging for shipment.
	Bottom -	The newsprint mill at Buckingham has been extensively modernized in recent years to increase production capacity and improve quality standards.
Page 1		Bales of hardwood kraft pulp await shipment from the Company's warehouse.
Page 3	Bottom - left	High quality wood chips arrive daily at the newsprint mill to be converted to sulphite pulp, which is used in the manufacture of newsprint.
	Top - right	The characteristics of the newsprint sheet are continually monitored and automatically controlled in order to meet quality specifications.
Page 4		The kraft pulp mill is located at Thurso about nine miles east of Buckingham.
Page 5		A skidder, equipped with a grapple for more efficient tree-length handling, operates in a stand of hardwood trees.
Page 12		Newsprint manufactured by the Company is sold to newspaper publishers in Canada and a number of foreign countries.

<p>Legendes des photographies</p> <p>Page 1</p> <p>- le bas - Les balles de pâte à papier kraft, avant d'être expédiées de l'entrepôt.</p> <p>Page 3</p> <p>- le bas à gauche Les copeaux de haute qualité, arrivent quotidiennement à l'usine de Buckinham, dans le but d'être transformés en pulpe qui servira ensuite à la production de papier journal.</p> <p>Page 4</p> <p>- le haut à droite Les caractéristiques de la feuille de papier journal, sont constamment contrôlées afin d'atteindre les niveaux de qualité requis.</p> <p>Page 5</p> <p>Une débusquée, munie d'un grappin facilitant la manutention d'arbres en longueur, est en marche dans une forêt de feuillus.</p> <p>Page 12</p> <p>Le papier journal manufacturé par la compagnie est vendu au Canada et à certains pays étrangers.</p>
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Bois-Franc du Québec Incorporee	Division des produits du bois	La Compagnie d'Énergie Macalaren
La Compagnie de Chemins de Fer	Les Ventes de Papier-journal	Macalaren Limitee
Chemin de fer privé	Agence distributeur de papier journal	Les Entreprises Macdev Limitee
Agent distributeur de papier journal	Développement des terrains	Les Entreprises Macdev Limitee
Manufacturier et agent distributeur de bois en grume	Puisance installée — 245 000 C.V.	Bois-Franc du Québec Incorporee
La production d'énergie Hydro-	Électricité installée — 117 000 tonnes	La Compagnie de Pâtes et Papier
Manufacturier de Dowleoc	Capacité annuelle de production —	Thursos
160 000 tonnes	117 000 tonnes	La Compagnie de Pâtes et Papier
Manufacturier de papier journal	Capacité annuelle de production —	Limitee

SES FILIALES ET DIVISION

Coopers & Lybrand
Compatables agreees

A notre avis, ces états financiers consolidés présentent fidélement la situation financière des compagnies au 31 décembre 1976 et les résultats de leurs opérations ainsi que les variations de leur situation financière pour l'exercice terminé à décembre 1976, selon les principes comptables généralement reconnus, appliqués de la même manière qu'au cours de cette date, selon les principes comptables généralement reconnus, appliqués de la même manière qu'au cours de l'exercice précédent.

Les campagnes sont assujetties aux mesures restrictives quant aux marges bénéficiaires, aux prix, aux dividendes, et à la remunération en vertu de la loi anti-inflation et de ses règlements qui ont pris effet le 14 octobre 1975. Sur la foi des renseignements disponibles, la direction est d'avoir que les compagnies se sont conformées à la loi. En vertu du programme anti-inflation, les dividendes qui seront versés aux actionnaires de la compagnie pourront dépasser \$ 2.376 terminant le 13 octobre 1977 ne pourront dépasser \$ 2.376 par action.

9. Loi anti-inflation

La dette estimative non pourvue provenant de l'augmentation des avantages relatifs aux services passés des régimes de retraite s'élèverait à \$1 263 000 (\$1 388 000 en 1975) et pourra être imputée aux bénéfices en versements annuels égaux sur une durée de 17 ans à compter de 1974.

La remunération des administrateurs et des cadres supérieurs pourra être établie aux mêmes taux que celles des cadres supérieurs et des administrateurs et des cadres supérieurs (\$534 000 en 1975).

8. Remunération des administrateurs et des

6. Actions Privilegiées Rachetées

Le solde des bénéfices non répartis comprend un montant de \$1 000 000 (\$1 000 000 en 1975) désigné comme étant un surplus ne pouvant être distribué, étant à la valeur nominale de 1 000 000 d'actions privilégiées rachetées.

6. Actions privilégiées rachetées

Actions ordinaires convertibles	- Catégorie "A"	1975
Actions en circulation	- Catégorie "B"	900 862
Actions en décompte	- Catégorie "C"	789 367
Actions en réserve	- Catégorie "D"	916 752
Actions ordinaires	2 000 000	205 414
Actions détenues par une filiale	Moins: Les actions de catégorie	74 012
Actions ordinaires	1 925 988	1 927 288

Emis et entièrement payé:

Aux actionnaires

Rapport des vérificateurs

ISS 02 10/81

6 000

JCC 101 10/81

RSO
\$ (en milliers de dollars)
1975 1976

4. Dette a long terme

				La Compagnie d'Énergie & de Papier MacLaren
42 512	59 010	3 156	2 636	Exploitation et livraison
1 369	1 324	1 324	1 369	Ventes et administration
46 517	63 490	19 028	15 829	Revenu provenant de l'exploitation
Autres Revenus				
1 592	1 572	120	(8)	Revenu de placements
91	254			Gain (perre) à la vente de valeurs négociables
1 675	1 946			Escompte sur les débentures achetées pour l'annulation
17 504	20 974			Provision pour les impôts sur le revenu
Bénéfice avant les impôts sur le revenu				Impôts exigibles
6 692	8 279	303	531	Impôts reportés
7 223	8 582			Provision pour les impôts sur le revenu
Bénéfice net pour l'exercice				Impôts reportés
10 281	12 392			Dividendes
59 315	65 356	77 748	69 596	Bénéfices non répartis au début de l'exercice
65 356	73 170	4 578	4 240	Bénéfices non répartis à la fin de l'exercice
\$ 5.33	\$ 6.43			Bénéfice par action (en dollars)

Passif		Actifs	
Passif à court terme	\$ 1975	Actifs à court terme	\$ 1976
Avances bancaires	1 039	Comptes à payer et dettes courtes	2 088
Dividendes à payer	4 075	Impôts sur le revenu et taxes diverses	339
Intérêts courus sur la dette à long terme	774	Impôts sur le revenu et taxes diverses	2 183
Partie de la dette à long terme exigible	425	Impôts sur le revenu et taxes diverses	391
à court terme	975	Impôts sur le revenu et taxes diverses	-
Impôts sur le revenu reportés	394	Impôts sur le revenu reportés	352
Dette à long terme (note 4)	20 551	Dette à long terme (note 4)	18 701
Impôts sur le revenu reportés	4 340	Impôts sur le revenu reportés	4 685
Surplus d'apport	5 000	Surplus d'apport	5 000
Bénéfices non reportés (note 6)	65 356	Bénéfices non reportés (note 6)	73 170
Capital-Actions (note 5)	3 575	Capital-Actions (note 5)	3 575
Moins: Les actions détenues par une filiale,	73 931	au prix coutant	81 745
	1 676		1 721
	72 255		80 024
	104 828		112 864

104 828 112 864

Actif à court terme		Actif
\$ 1975	\$ 1976	
4 607	8 253	Dépôts à court terme
7 493	11 592	Comptes à recevoir
19 586	21 050	Valeurs négociables, au prix coutant et les intérêts courus (valeur cotee: \$18 340 en 1976: \$16 363 en 1975)
27 208	26 403	Stocks, au plus bas du prix coutant et de la valeur nette probable de réalisation (note 2)
898	824	Frais payés d'avance
2 216	2 516	Autres placements, au prix coutant (note 1 (c))
40 699	40 251	Immobilisations (note 3)
2 121	1 975	Frais Reportés (note 1 (e))

Bilan Consolidé
La Compagnie d'Énergie & de Papier MacLaren
Au 31 décembre (en milliers de dollars)

D. MacLaren, administrateur
J. S. Hermon, administrateur

Sigle au nom du conseil,



le 24 février 1977

President et à
J. S. Hermon

au nom du conseil d'administration
Voulez-vous compagnie à respecte les
problèmes et s'est conforme à
spirit du programme anti-inflation.
en que nous reconnaissions que le
programme de lutte contre d'inflation
renouer la psychose inflationniste qui
tient le Canada, nous persistons à
oire qu'un abandon progressif du
programme constitue un prérequis
sentiel à la restauration du climat de
nfliance chez les consommateurs et
monde des affaires, dans l'eco-
mique canadienne.

Nous désirons remercier tous nos
employés sur qui repose le succès de
compagnie.

Dans le domaine des relations de travail, votre compagnie, de concert avec d'autres compagnies ayant le même champ d'activités dans l'Est du Canada et avec d'autres compagnies ayant le même champ d'activités dans l'Est du Canada, réunissent présentement en comités ouvriers de l'industrie papetière, se réunissent présentement en comités mixtes afin de trouver des formules nouvelles, voire même inédites, qui permettent de consolider et d'améliorer les relations entre le syndicat et la compagnie.

Il serait prémature d'évaluer les intentions et la politique économique du Gouvernement récemment élu, de même que le climat d'incer- titude qui entoure une séparation datant de plus de cent ans; Nos opérations dans la province de l'Ontario et la province de l'Est du Canada.

Nous conservons donc l'espoir que notre politique de collaboration avec les organismes gouvernementaux, à tous les paliers, nous permettra de continuer à fonctionner efficacement durant de nombreuses années et ce, au plus grand profit de nos actionnaires, de notre personnel et du public en général.

du Programme anti-inflation, les dividende que la compagnie versera aux actionnaires ne pourront dépasser ces niveaux durant l'exercice se terminant le 13 octobre 1977. Au cours de l'exercice, les dépenses de nature capital se sont élevées à \$3 328 000. Les nouvelles installations de production dans le secteur du papier journal ont entraîné un plus haut degré de rendement et de productivité ainsi qu'une diminution des coûts. Les travaux les plus importants dans le secteur de la pâte kraft ont été effectués au niveau de la manutention du bois et de l'installation d'une nouvelle chaufferie à vapeur préfabriquée. Les prévisions de dépenses de nature capital devraient être chiffrer à environ \$5 000 000 pour l'année prochaine.

augmentation de \$6,6 millions en regard de l'exercice précédent. La dette à long terme a été diminuée en 1976 d'un montant de \$1 850 000 par le biais du remboursement d'une partie de l'emprunt bancaire à terme et le rachat de débentures en anticipations des exigences de leurs fonds d'amortissement. Le revenu après impôts tire de valeurs négociables et d'autres placements, y compris le gain réalisé sur la vente de placements, a atteint les niveaux de 1975. La campagne a déclaré en 1976 des dividendes "impossibles", et des dividendes "don't limpôt est relevant à \$2.376 et \$2.0196 par action respective". En vertu



success à l'interieur des paramètres du programme de lutte contre l'inflation. Le niveau des deux est présentement sous la normale de même que celui de la neige dans les bassins. Il est donc difficile de prédire une croissance quelconque des bénéfices pour cette division en 1977.

Les fonds provenant de l'exploitation se sont élevés à \$16,6 millions en 1976 par rapport à \$14,5 millions en 1975. Le fonds de roulement s'est chiffré à \$58,7 millions ou \$30,46 par action. Ce montant représente une

Au cours de l'exercice terminé le 31 décembre 1976, les ventes consolidées se sont élevées à \$82,5 millions comparativement à \$62,4 millions l'année dernière, soit une augmentation de 20,6% pour atteindre \$12,4 millions, soit \$6,43 par action rapport à \$10,3 millions, ou \$5,33 par action l'année dernière. Ces résultats, qui sont néanmoins les deuxièmes meilleurs que la compagnie ait jamais connus, ont été atteints malgré une inflation démodée une proéoccupa- tion mondiale et dans d'autres pays. Canada et dans le reste du monde au cours de l'année dernière et le déclin dans la valeur réelle du dollar doit être pris en considération lors de l'évaluation des ventes comparatives de 1976, le volume des ventes de papier journal s'est élevé à 144 000 tonnes comparativement à 133 000 tonnes en 1975, hausse attribuable au règlement vers la fin de janvier 1976, d'une grève qui avait interrompu l'exploitation de l'usine à papier pendant les deux dernières mois et demi de 1975. Malgré la vigueur du dollar canadien face au dollar américain et l'escalade majeure des couts du transport, de la main-

Rapport des administrateurs aux actionnaires

Renseignements de la corporation

Siege Social

300, rue Queen,
Buckingham, Québec
J8L 2X3
(819) 986-3345

Bankers Trust Company,
New York

10 of 10

Buckingham
MacLaren
et al.

Coopers & Montreal

2	Admistrateur	James W. Thomson,	Admistrateur
	Limitée	La Compagnie James MacLaren,	La Compagnie James MacLaren,
	Vice-président - opérations	Vice-président - opérations	Vice-président - opérations
	Forêtiers,	Forêtiers,	Forêtiers,
	J. Ferguson MacLaren,	J. Ferguson MacLaren,	J. Ferguson MacLaren,
	MacLaren, Corlett & Tanner	MacLaren, Corlett & Tanner	MacLaren, Corlett & Tanner
	Associé principal,	Associé principal,	Associé principal,
	Gordon F. MacLaren,	Gordon F. MacLaren,	Gordon F. MacLaren,
	Montréal	Montréal	Montréal
	Coopers & Lybrand,	Coopers & Lybrand,	Coopers & Lybrand,
	Verificateurs	Verificateurs	Verificateurs
	Buckinghamham	Buckinghamham	Buckinghamham
	MacLaren,	MacLaren,	MacLaren,
	La Compagnie d'Éne	La Compagnie d'Éne	La Compagnie d'Éne
	A. Roy MacLaren,	A. Roy MacLaren,	A. Roy MacLaren,
	Administrateur	Administrateur	Administrateur
	A. Barneet MacLaren,	A. Barneet MacLaren,	A. Barneet MacLaren,
	Administrateur	Administrateur	Administrateur
	kegsistante	kegsistante	kegsistante

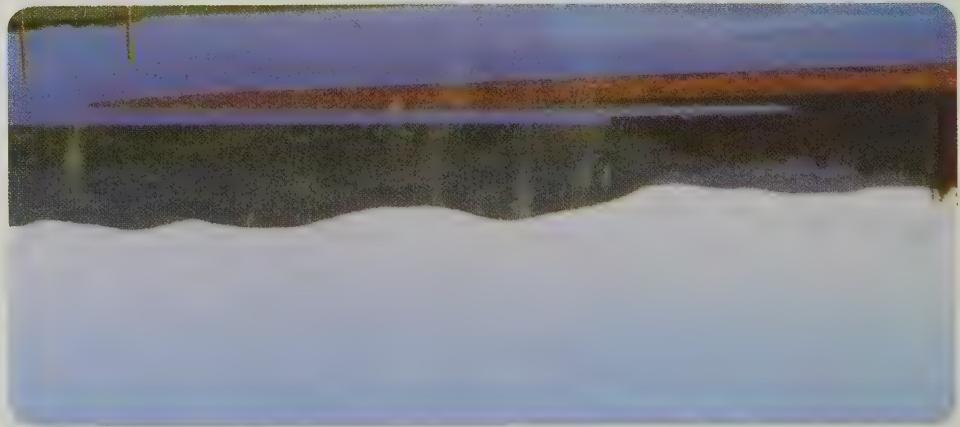
12	Filiales et division
11	actionnaires
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8	Notes afférentes aux états financiers
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3	Renseignements de la corporation

Table des matières

(en milliers de dollars - sauf les chiffres par action)

\$20 897	Salaires, traitements et avantages sociaux
\$ 3 161	Dépenses en immobilisations
\$52 110	Fonds de roulement
\$ 2.20	Dividendes par action
\$ 7.54	Benefice net en termes du fonds de roulement par action
\$ 5.33	Benefice par action
\$10 281	Benefice net
\$64 021	Vente et autres revenus
1975	1976

Faits saillants



La Compagnie d'Énergie & de Papier MacLaren Rapport Annuel 1976

AR23

RAPPORT
INTÉRIMAIRE

30 JUIN
1976

La
Compagnie
d'Energie
&
de
Papier

fp
MACLAREN

Power
&
Paper
Company

INTERIM
REPORT

JUNE 30
1976

Maclarens Power & Paper Company

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

For the six-month period ended June 30, 1976

Sales and other income

Sales

Investment income

Profit (Loss) on sale of marketable securities

Discount on debentures purchased
for cancellation

Costs and expenses

Operating and delivery

Selling and administrative

Interest on long-term debt

Provision for income taxes

Net earnings for the period

Earnings per share

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the six-month period ended June 30, 1976

Source of working capital

Net earnings for the period

Items not affecting working capital:

Depreciation and amortization

(Gain) on disposal of fixed assets

Deferred income taxes

Provided from operations

Proceeds on sale of fixed assets

Use of working capital

Additions to fixed assets

Payment on 3 1/2% promissory notes

Increase in non-marketable investments

Dividends

5 3/4% sinking fund debentures
purchased for cancellation

Increase in working capital

Working capital — beginning of period

Working capital — end of period

The above figures are subject to audit and
year-end adjustment.

La Compagnie d'Energie & de Papier Maclarens

et ses filiales

1976	1975
	\$
40,509,000	30,822,000
733,000	914,000
195,000	(2,000)
<u>83,000</u>	<u>19,000</u>
<u>41,520,000</u>	<u>31,753,000</u>
29,149,000	18,397,000
1,496,000	1,348,000
663,000	684,000
4,239,000	4,844,000
<u>35,547,000</u>	<u>25,273,000</u>
<u>5,973,000</u>	<u>6,480,000</u>
<u>\$3.10</u>	<u>\$3.36</u>
1976	1975
	\$
5,973,000	6,480,000
1,895,000	1,921,000
(24,000)	(62,000)
214,000	246,000
<u>8,058,000</u>	<u>8,585,000</u>
<u>32,000</u>	<u>80,000</u>
<u>8,090,000</u>	<u>8,665,000</u>
1,313,000	1,657,000
—	940,000
—	579,000
2,120,000	2,120,000
<u>275,000</u>	<u>58,000</u>
<u>3,708,000</u>	<u>5,354,000</u>
<u>4,382,000</u>	<u>3,311,000</u>
<u>52,110,000</u>	<u>46,874,000</u>
<u>56,492,000</u>	<u>50,185,000</u>

ETAT CONSOLIDÉ DES BÉNÉFICES Pour les six mois terminés le 30 juin 1976

Ventes et autres revenus

Ventes
Revenu de placements
Profit (Perte) sur vente de valeurs négociables
Escompte sur les obligations achetées
pour l'annulation

Coûts et dépenses d'exploitation

Opération et livraison
Ventes et administration
Intérêts sur la dette à long terme
Provision pour impôts sur le revenu

Bénéfice net pour la période

Bénéfice par action

ETAT CONSOLIDÉ DES CHANGEMENTS DANS LA SITUATION FINANCIÈRE Pour les six mois terminés le 30 juin 1976

Provenance du fonds de roulement

Bénéfice net pour la période
Eléments n'affectant pas les fonds de roulement:
Dépréciation et amortissement
(Profit) sur la vente d'immobilisations
Impôts sur le revenu reportés

Provenance de l'exploitation

Produit de la vente d'immobilisations

Utilisation du fonds de roulement

Augmentation des immobilisations
Paiements sur billets à ordre 3 1/2%
Augmentation des placements non-négociables
Dividendes
Obligations à fonds d'amortissement
5 3/4% achetées pour l'annulation

Augmentation du fonds de roulement

Fonds de roulement au début de la période

Fonds de roulement à la fin de la période

Les chiffres précités sont présentés sous réserve de vérification et d'ajustement à la fin de l'année.

To the Shareholders:

The unaudited Consolidated Statements of Earnings and Changes in Financial Position for the six-month period ended June 30, 1976 are submitted herewith.

Earnings for this period amounted to \$3.10 per share compared with a restated \$3.36 per share for the same period in 1975.

The stronger Canadian dollar throughout 1976 relative to the first six months of 1975 has impaired the consolidated earnings by \$0.26 per share. The newsprint division, which was shut down until late January 1976 by a strike continues to underperform profit-wise the comparable period in 1975. Price increases implemented in April 1976 have failed to adequately compensate for exchange losses and major cost escalations of labour and operating materials, and as a result the current margins are below the 1975 levels.

The bleached kraft pulp profits have considerably improved despite declining operating margins, reflecting the impact of higher sales volumes in part due to the reduction of inventories accumulated during 1975. The lumber division continues to operate at a loss and operations were curtailed throughout much of the second quarter in an attempt to bring inventory levels more in line with market conditions. Earnings from power generation and sales were improved benefiting from escalation clauses in sales contracts.

While continuing to operate within the guidelines of the Anti-Inflation Act, your company is disturbed by the recent changes relating to the Prices and Profits Program. The new rules substantially reduce the allowable net margins vis-à-vis those available under the former regulations. While these new draft rules have yet to be finalized, we find them unnecessarily restrictive and feel they will seriously jeopardize the internal cash flows necessary to finance on-going operations and justify major capital investment at a time when the purchasing power of the dollar is being continually eroded. These changes to the program appear to be contrary to the original spirit and intent of the legislation.

While showing some improvement, relatively weak markets continue to prevail for all our products and we now anticipate it will be well into 1977 before a balanced supply/demand relationship returns.

Buckingham, Quebec
July 28th, 1976.

J.S. Hermon,
President and
Chief Executive Officer.

Aux actionnaires,

Nous vous présentons ci-joints les états consolidés non vérifiés des bénéfices, ainsi que les changements qui se sont produits dans la situation financière, au cours du semestre ayant pris fin le 30 juin 1976.

Les profits par action durant cette période se sont établis à \$3.10, comparativement à un montant redressé de \$3.36 pour la période correspondante en 1975.

La fermeté du dollar canadien durant 1976, comparativement au premier semestre de 1975, a réduit les bénéfices consolidés de \$0.26 par action. La division du papier-journal, qui a été immobilisée par une grève jusqu'à la fin de janvier 1976, accuse toujours des bénéfices moins élevés comparativement à la période correspondante en 1975. Les hausses de prix mises en vigueur en avril 1976 n'ont pas compensé les pertes découlant du taux du change et de la hausse des principaux coûts au chapitre de la main-d'œuvre et des matériaux d'exploitation; conséquemment, les marges actuelles de bénéfices sont inférieures au niveau de 1975.

Les profits provenant de la division de la pâte à papier kraft blanchie se sont sensiblement améliorés malgré la baisse des marges d'exploitation; cet état de choses est attribuable à l'accroissement du volume des ventes ainsi qu'à la réduction des inventaires accumulés au cours de 1975. La division du bois d'œuvre a de nouveau accusé une perte et les opérations se sont effectuées au ralenti pendant une bonne partie du deuxième trimestre afin que les inventaires puissent mieux se conformer aux conditions du marché. Les profits provenant de la production et de la vente d'énergie se sont accrus grâce à la clause de révision des prix que comportaient les contrats de vente.

La compagnie s'en tient toujours aux principes directeurs établis par la Loi pour combattre l'inflation, mais elle se préoccupe des répercussions exercées par les récentes modifications apportées au programme des prix et des bénéfices. Les nouvelles règles réduisent sensiblement les marges nettes autorisées comparativement à celles que prévoyait le règlement antérieur. Bien que ce nouveau règlement soit encore à l'état de projet, il comporte, à notre avis, des restrictions injustifiées. Nous estimons en outre qu'il portera gravement atteinte aux opérations internes de trésorerie essentielles pour financer les opérations quotidiennes et motiver les importantes mises de fonds au titre des immobilisations, à une époque où l'effritement du pouvoir d'achat du dollar se poursuit sans cesse. Il semble que ces modifications apportées au programme soient contraires à l'esprit et à l'objet de la Loi.

La demande qui règne pour tous nos produits s'améliore quelque peu, mais la faiblesse relative des marchés se maintient; nous prévoyons que l'équilibre entre l'offre et la demande ne se rétablira qu'à une date avancée en 1977.

Buckingham, Québec
le 28 juillet, 1976.

J.S. Hermon,
Président et
administrateur en chef.